

CITY OF CARSON CITY, MICHIGAN

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2008



Vredeveld Haefner LLC

CITY OF CARSON CITY

TABLE OF CONTENTS

FINANCIAL SECTION	<u>PAGE</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3-8
Basic Financial Statements	
Governmental-wide Financial Statements	
Statement of Net Assets	9
Statement of Activities	10-11
Fund Financial Statements	
Balance Sheet - Governmental Funds	12
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to the Net Assets of Governmental Activities on the Statement of Net Assets	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	16
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Library Fund	17
Statement of Net Assets - Proprietary Funds	19
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds	20
Statement of Cash Flows - Proprietary Funds	21
Statement of Net Assets - Fiduciary Funds	22
Statement of Changes in Net Assets - Employees Retirement System	23
Notes to the Financial Statements	25-37
Required Supplementary Information	
Schedule of Funding Progress	39
Schedule of Employer Contributions	39
Summary of Actuarial Methods and Assumptions	40
Combining and Individual Fund Statements and Schedules	
General Fund	
Schedule of Revenues - Budget and Actual	42
Schedule of Expenditures by Activity - Budget and Actual	43
Nonmajor Governmental Funds	
Combining Balance Sheet	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	45
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Major Street Fund	46
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Local Street Fund	47
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Compensated Absences Fund	48
Fiduciary Funds	
Combining Balance Sheet - All Agency Funds	49



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INDEPENDENT AUDITORS' REPORT

December 18, 2008

Honorable Mayor and Members of the City Council
City of Carson City, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Carson City, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City of Carson City, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Carson City, Michigan as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and each major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 3-8 and the schedules of funding progress, employer contributions and summary of actuarial methods and assumptions on pages 39 and 40 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carson City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Vredeveld Haefner LLC

Management's Discussion and Analysis

As management of the City of Carson City, we offer readers of the City of Carson City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

Financial Highlights

- Purchased and repaired the Bamboo Room property.
- Completed a storm drain project in conjunction with Carson City Hospital.
- Purchased a used Komatsu loader tractor

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Carson City's financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences, accrued interest, etc.).

Both of the government-wide financial statements distinguish functions of the City of Carson City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government administration, public safety, public works including major and local street construction and maintenance, culture and recreation, capital outlay, and debt service activities. The business-type activities of the City include sewer and water services.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Carson City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general and library funds.

Data is combined into a single aggregated presentation for the other three governmental funds. Individual fund data for each of the non-major governmental funds is provided in the form of *combining statements and schedules*.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Sewer and Water operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for its fleet of vehicles. Because these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer and Water operations, both of which are considered to be major funds of the City.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resource of those funds are *not* available to the support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. This includes this management discussion and analysis as well as pension schedules related to the City's pension plan.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Carson City, assets exceeded liabilities by \$8,594,986 at the close of the most recent fiscal year.

A significant portion of the City's net assets reflects unrestricted net assets which are available for future operation while a significant portion of net assets is invested in capital assets (e.g., land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Net Assets

	Governmental Activities		Business-type Activities		Totals	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and other assets	\$1,591,519	\$1,658,915	\$2,241,452	\$1,919,734	\$3,832,971	\$3,578,649
Capital assets	1,929,294	1,672,432	4,882,777	5,002,227	6,812,071	6,674,659
Total assets	3,520,813	3,331,347	7,124,229	6,921,961	10,645,042	10,253,308
Long-term liabilities outstanding	269,138	311,503	1,555,482	1,629,578	1,824,620	1,941,081
Other liabilities	203,358	197,054	22,078	16,180	225,436	213,234
Total liabilities	472,496	508,557	1,577,560	1,645,758	2,050,056	2,154,315
Net assets						
Invested in capital assets, net of related debt	1,686,294	1,429,432	3,347,777	3,402,227	5,034,071	4,831,659
Restricted	893,255	901,428	-	-	893,255	901,428
Unrestricted	468,768	491,930	2,198,892	1,873,976	2,667,660	2,365,906
Total net assets	\$3,048,317	\$2,822,790	5,546,669	\$5,276,203	\$8,594,986	\$8,098,993

Net assets of the City increased by \$495,993 with both the governmental and business-type activities showing additions to prior balances. The business-type activities increase in net assets of \$270,466 was primarily the result of increased revenues from operations. The governmental activities increase in net assets of \$225,527 is primarily due to capital grants associated with the storm drain project.

Summary of Activities

	Governmental Activities		Business-type Activities		Totals	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenue						
Program revenue						
Charges for Services	\$ 109,865	\$ 104,603	\$ 797,186	\$ 724,692	\$ 907,051	\$ 829,295
Operating grants and Contributions	226,070	209,721	-	-	226,070	209,721
Capital grants and Contributions	201,439	169,937	-	-	201,439	169,937
	537,374	484,261	797,186	724,692	1,334,560	1,208,953
General revenue						
Property taxes	482,133	447,959	-	-	482,133	447,959
Other governmental sources	140,112	141,049	-	-	140,112	141,049
Other	12,894	26,651	80,120	71,822	93,014	98,473
Transfers	35,000	35,000	(35,000)	(35,000)	-	-
Total revenue and transfers	670,139	1,134,920	45,120	761,514	715,259	1,896,434
Expenses						
Legislative	55,781	70,913	-	-	55,781	70,913
General government	181,164	166,538	-	-	181,164	166,538
Public Safety	208,608	202,601	-	-	208,608	202,601
Public works	281,114	142,161	-	-	281,114	142,161
Culture and recreation	244,001	237,638	-	-	244,001	237,638
Interest	11,318	12,321	-	-	11,318	12,321
Sewer	-	-	263,680	266,350	263,680	266,350
Water	-	-	308,160	329,637	308,160	329,637
Total expenses	981,986	832,172	571,840	595,987	1,553,826	1,428,159
Increase in net assets	225,527	302,748	270,466	165,527	495,993	468,275
Net assets-beginning of year	2,822,790	2,520,042	5,276,203	5,110,676	8,098,993	7,630,718
Net assets end of year	\$3,048,317	\$2,822,790	\$5,546,669	\$5,276,203	\$8,594,986	\$8,098,993

Governmental Activities. During the year the City invested \$208,608 or 21% of governmental activities expenses in public safety. Culture and recreation, which includes library operations was \$244,001 or 24% of governmental activities expenses while general government, public works and streets and interest on long-term debt made up the remaining 55% of governmental activities expenses.

Business-type Activities. Business-type activities increased the City's net assets by \$270,466 accounting for 54% of the total growth in the government's net assets for the current year. By comparison, business-type activities reported an increase in net assets the previous fiscal year of \$165,527. Key elements of this increase are as follows:

- Water and sewer revenues increased as a result of a scheduled rate increase.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,166,209, an increase of \$9,446 in comparison with the prior year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$225,973 which is equal to total fund balance. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 27% of total general fund expenditures.

The fund balance of the City's general fund increased by \$30,395 during the current fiscal year.

The library fund has a total fund balance of \$308,767, which decreased by \$335 during the year. The balance of this fund is restricted for use as defined by the City Council.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government wide financial statements, but in more detail.

Unrestricted net assets of the sewer and water funds at the end of the year amounted to \$1,382,497 and \$816,395 respectively. The sewer fund had an increase in net assets for the year of \$161,447 and the water fund had an increase of \$109,019. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Differences between the original and final amended budgets were primarily due to the legislative expenditure budget being reduced due to a decrease in the amount budgeted for contingencies and an increase in the public works budget for the storm drain project.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of June 30, 2008, amounted to \$6,812,071 (net of accumulated depreciation).

Significant capital purchases during the year consisted primarily of the Komatsu tractor and storm drain improvements.

The City's Capital Assets (net of depreciation) are summarized as follows:

Capital Assets			
	Governmental Activities	Business-type Activities	Total
Land	\$ 185,590	\$ 14,475	\$ 200,065
Buildings, Equipment and Infrastructure	1,743,704	4,868,302	6,612,006
Total	\$1,929,294	\$4,882,777	\$6,812,071

Additional information on the City of Carson City capital assets can be found in Note 4 of these financial statements.

Debt. At the end of the current fiscal year, the City had total debt outstanding as follows:

Debt			
	Governmental Activities	Business-type Activities	Total
Accrued employee benefits	\$ 48,138	\$ 20,482	\$ 68,620
Notes payable	221,000	-	221,000
DWRF Loan payable	-	1,535,000	1,535,000
Total	\$269,138	\$1,555,482	\$1,824,620

The City's total debt decreased by \$116,461 during the year primarily due to payment of scheduled principal payments and several retirements of senior level staff.

Additional information on the City's long-term debt can be found in Note 7 of these financial statements.

Economic Factors and Next Year's Budgets and Rates

The following factors were considered in preparing the City's budget for the 2008-09 fiscal year:

- Scheduled road and project costs.
- Flat performance of the State of Michigan's economy will likely result in stagnant or additional decreases in state funding.
- Property values and tax rates.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Comptroller, 123 East Main St., Carson City, Michigan, 48811.

BASIC FINANCIAL STATEMENTS

CITY OF CARSON CITY
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
Assets			
Cash and cash equivalents	\$ 1,033,430	\$ 1,013,317	\$ 2,046,747
Investments	488,446	1,149,511	1,637,957
Accounts receivable	10,134	78,624	88,758
Due from other governments	59,509	-	59,509
Capital assets, net			
Land	185,590	14,475	200,065
Buildings, equipment and infrastructure	1,743,704	4,868,302	6,612,006
Total assets	3,520,813	7,124,229	10,645,042
Liabilities			
Accounts payable and accrued expenses	30,253	22,078	52,331
Unearned revenue	173,105	-	173,105
Noncurrent liabilities			
Due within one year	23,000	65,000	88,000
Due in more than one year	246,138	1,490,482	1,736,620
Total liabilities	472,496	1,577,560	2,050,056
Net Assets			
Invested in capital assets, net of related debt	1,686,294	3,347,777	5,034,071
Restricted for			
Library	308,767	-	308,767
Major streets	260,967	-	260,967
Local streets	323,521	-	323,521
Unrestricted	468,768	2,198,892	2,667,660
Total net assets	\$ 3,048,317	\$ 5,546,669	\$ 8,594,986

The accompanying notes are an integral part of these financial statements.

CITY OF CARSON CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities					
Legislative	\$ 55,781	\$ -	\$ -	\$ -	\$ (55,781)
General government	181,164	39,904	728	-	(140,532)
Public safety	208,608	22,062	11,981	-	(174,565)
Public works	281,114	25,045	96,259	201,439	41,629
Culture and recreation	244,001	22,854	117,102	-	(104,045)
Interest on long-term debt	11,318	-	-	-	(11,318)
Total governmental activities	981,986	109,865	226,070	201,439	(444,612)
Business-type activities					
Sewer	263,680	394,630	-	-	130,950
Water	308,160	402,556	-	-	94,396
Total business-type activities	571,840	797,186	-	-	225,346
Total primary government	\$ 1,553,826	\$ 907,051	\$ 226,070	\$ 201,439	\$ (219,266)

(Continued)

The accompanying notes are an integral part of these financial statements.

CITY OF CARSON CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

	Primary Government		
	Governmental	Business-type	
	Activities	Activities	Total
Changes in net assets			
Net (expense) revenue	\$ (444,612)	\$ 225,346	\$ (219,266)
General revenues			
Property taxes			
General operating	379,732	-	379,732
Library	102,401	-	102,401
State shared revenues	140,112	-	140,112
Interest earnings	12,894	80,120	93,014
Transfers	35,000	(35,000)	-
Total general revenues and transfers	<u>670,139</u>	<u>45,120</u>	<u>715,259</u>
Change in net assets	225,527	270,466	495,993
Net assets, beginning of year	<u>2,822,790</u>	<u>5,276,203</u>	<u>8,098,993</u>
Net assets, end of year	<u>\$ 3,048,317</u>	<u>\$ 5,546,669</u>	<u>\$ 8,594,986</u>

(Concluded)

The accompanying notes are an integral part of these financial statements.

CITY OF CARSON CITY
GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2008

	<u>General</u>	<u>Library</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Assets				
Cash and cash equivalents	\$ 346,429	\$ 215,264	\$ 386,663	\$ 948,356
Investments	17,444	100,285	229,015	346,744
Due from other governments	43,718	-	15,791	59,509
Accounts receivable	<u>10,134</u>	<u>-</u>	<u>-</u>	<u>10,134</u>
Total Assets	<u>\$ 417,725</u>	<u>\$ 315,549</u>	<u>\$ 631,469</u>	<u>\$ 1,364,743</u>
Liabilities and fund balance				
Liabilities				
Accounts payable and accrued liabilities	\$ 18,647	\$ 6,782	\$ -	\$ 25,429
Deferred revenue	<u>173,105</u>	<u>-</u>	<u>-</u>	<u>173,105</u>
Total Liabilities	<u>191,752</u>	<u>6,782</u>	<u>-</u>	<u>198,534</u>
Fund balances				
Unreserved				
Undesignated	225,973	308,767	-	534,740
Undesignated reported in nonmajor				
Special revenue funds	<u>-</u>	<u>-</u>	<u>631,469</u>	<u>631,469</u>
Total fund balances	<u>225,973</u>	<u>308,767</u>	<u>631,469</u>	<u>1,166,209</u>
Total liabilities and fund balance	<u>\$ 417,725</u>	<u>\$ 315,549</u>	<u>\$ 631,469</u>	<u>\$ 1,364,743</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CARSON CITY

RECONCILIATION OF FUND BALANCE ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS

JUNE 30, 2008

Fund balances - total governmental funds	\$ 1,166,209
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets (net)	1,810,280
An internal service fund is used by management to charge the costs of centralized services to individual funds. The assets and liabilities of the internal service fund is included in the governmental activities.	
Add - net assets of governmental activities accounted for in the internal service fund	342,689
Certain liabilities, such as notes payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - compensated absences payable	(48,138)
Deduct - notes payable	(221,000)
Deduct - accrued interest on notes payable	<u>(1,723)</u>
Net assets of governmental activities	<u>\$ 3,048,317</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CARSON CITY

GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Library</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Revenues				
Taxes	\$ 379,732	\$ 102,401	\$ -	\$ 482,133
Intergovernmental revenues	310,511	100,554	99,904	510,969
Fees and service charges	61,512	10,994	-	72,506
Reimbursements	32,268	-	-	32,268
Contributions	-	5,554	-	5,554
Interest	4,612	6,158	23,447	34,217
Miscellaneous	26,584	-	-	26,584
Total revenues	<u>815,219</u>	<u>225,661</u>	<u>123,351</u>	<u>1,164,231</u>
Expenditures				
Current				
Legislative	69,375	-	-	69,375
General government	172,305	-	24,823	197,128
Public safety	179,201	-	-	179,201
Public works	341,538	-	73,976	415,514
Recreation and culture	47,405	192,506	-	239,911
Capital outlay	-	-	55,166	55,166
Debt service				
Principal	-	22,000	-	22,000
Interest	-	11,490	-	11,490
Total expenditures	<u>809,824</u>	<u>225,996</u>	<u>153,965</u>	<u>1,189,785</u>
Revenues over (under) expenditures	<u>5,395</u>	<u>(335)</u>	<u>(30,614)</u>	<u>(25,554)</u>
Other financing sources (uses)				
Transfers in	25,000	-	16,961	41,961
Transfers out	-	-	(6,961)	(6,961)
Total other financing sources (uses)	<u>25,000</u>	<u>-</u>	<u>10,000</u>	<u>35,000</u>
Net changes in fund balances	30,395	(335)	(20,614)	9,446
Fund balances, beginning of year	<u>195,578</u>	<u>309,102</u>	<u>652,083</u>	<u>1,156,763</u>
Fund balances, end of year	<u>\$ 225,973</u>	<u>\$ 308,767</u>	<u>\$ 631,469</u>	<u>\$ 1,166,209</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CARSON CITY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

Net changes in fund balances - total governmental funds	\$	9,446
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Amounts reported for *governmental activities* in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Add - capital outlay	254,635
Deduct - depreciation expense	(69,379)

Bond or note proceeds provide current financial resources to governmental funds in the period issued, but issuing notes increases long-term liabilities in the statement of net assets. Repayment of bond or note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on notes payable	22,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - changes in compensated absences	20,365
Add - changes in accrued interest	172

An internal service fund is used by management to charge the costs of certain services to individual governmental funds. The net assets of this fund are reported with governmental activities.

Deduct - loss from governmental activities in the internal service fund	<u>(11,712)</u>
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Change in net assets of governmental activities	\$	<u>225,527</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF CARSON CITY

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes	\$ 383,000	\$ 380,132	\$ 379,732	\$ (400)
Intergovernmental	126,800	230,452	310,511	80,059
Fees and service charges	50,380	58,989	61,512	2,523
Reimbursements	-	60,563	32,268	(28,295)
Interest	20,000	13,524	4,612	(8,912)
Miscellaneous	5,900	9,425	26,584	17,159
Total revenues	<u>586,080</u>	<u>753,085</u>	<u>815,219</u>	<u>62,134</u>
Expenditures				
Current				
Legislative	136,657	70,168	69,375	793
General government	160,780	172,278	172,305	(27)
Public safety	163,189	175,511	179,201	(3,690)
Public works	108,650	299,386	341,538	(42,152)
Recreation and culture	41,804	41,820	47,405	(5,585)
Total expenditures	<u>611,080</u>	<u>759,163</u>	<u>809,824</u>	<u>(50,661)</u>
Revenues over (under) expenditures	<u>(25,000)</u>	<u>(6,078)</u>	<u>5,395</u>	<u>11,473</u>
Other financing sources (uses)				
Transfers in	25,000	25,000	25,000	-
Transfers out	-	(15,000)	-	15,000
Total other financing sources (uses)	<u>25,000</u>	<u>10,000</u>	<u>25,000</u>	<u>15,000</u>
Net changes in fund balance	-	3,922	30,395	26,473
Fund balance, beginning of year	<u>195,578</u>	<u>195,578</u>	<u>195,578</u>	<u>-</u>
Fund balance, end of year	<u>\$ 195,578</u>	<u>\$ 199,500</u>	<u>\$ 225,973</u>	<u>\$ 26,473</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CARSON CITY

LIBRARY FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Taxes	\$ 95,500	\$ 99,500	\$ 102,401	\$ 2,901
Intergovernmental				
State shared	4,000	7,888	7,888	-
Penal fines	82,000	92,666	92,666	-
Fees and service charges	14,000	9,359	10,994	1,635
Contributions	-	5,061	5,554	493
Interest	7,000	7,200	6,158	(1,042)
Total Revenues	<u>202,500</u>	<u>221,674</u>	<u>225,661</u>	<u>3,987</u>
Expenditures				
Current				
Recreation and culture	196,500	193,625	192,506	1,119
Debt service				
Principal	22,000	21,934	22,000	(66)
Interest	11,500	11,556	11,490	66
Total expenditures	<u>230,000</u>	<u>227,115</u>	<u>225,996</u>	<u>1,119</u>
Net changes in fund balance	(27,500)	(5,441)	(335)	5,106
Fund balance, beginning of year	<u>309,102</u>	<u>309,102</u>	<u>309,102</u>	<u>-</u>
Fund balance, end of year	<u>\$ 281,602</u>	<u>\$ 303,661</u>	<u>\$ 308,767</u>	<u>\$ 5,106</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CARSON CITY
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2008

	Business-Type Activities		Enterprise Fund	Governmental Activities
	Sewer	Water	Total	Internal Service Fund
Assets				
Current assets				
Cash and cash equivalents	\$ 489,441	\$ 523,876	\$ 1,013,317	\$ 85,074
Investments	872,000	277,511	1,149,511	141,702
Accounts receivable	38,662	39,962	78,624	-
Total current assets	1,400,103	841,349	2,241,452	226,776
Capital assets				
Land	14,475	-	14,475	3,996
Buildings	-	80,576	80,576	58,875
Plant, mains and equipment	2,345,125	3,955,176	6,300,301	458,560
Accumulated depreciation	(864,617)	(647,958)	(1,512,575)	(402,417)
Net capital assets	1,494,983	3,387,794	4,882,777	119,014
Total assets	2,895,086	4,229,143	7,124,229	345,790
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	6,639	14,061	20,700	3,101
Current portion of long-term debt	-	65,000	65,000	-
Total current liabilities	6,639	79,061	85,700	3,101
Long-term liabilities				
Compensated absences	10,241	10,241	20,482	-
Loans payable	-	1,470,000	1,470,000	-
Customer deposits	726	652	1,378	-
Total long-term liabilities	10,967	1,480,893	1,491,860	-
Total liabilities	17,606	1,559,954	1,577,560	3,101
Net assets				
Investment in capital assets net of related debt	1,494,983	1,852,794	3,347,777	119,014
Unrestricted	1,382,497	816,395	2,198,892	223,675
Total net assets	\$ 2,877,480	\$ 2,669,189	\$ 5,546,669	\$ 342,689

The accompanying notes are an integral part of these financial statements.

CITY OF CARSON CITY

PROPRIETARY FUNDS STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2008

	Business-Type Activities		Enterprise Fund Total	Governmental Activities Internal Service Fund
	<u>Sewer</u>	<u>Water</u>		
Operating revenue				
Charges for services	\$ 394,630	\$ 402,556	\$ 797,186	\$ 57,317
Total operating revenue	<u>394,630</u>	<u>402,556</u>	<u>797,186</u>	<u>57,317</u>
Operating expense				
Salaries and wages	103,748	97,130	200,878	12,336
Supplies	19,445	14,366	33,811	17,072
Professional services	18,847	8,153	27,000	-
Insurance and bonds	19,649	19,149	38,798	-
Utilities	19,560	28,022	47,582	-
Equipment rentals	19,251	10,997	30,248	966
Repair and maintenance	18,250	17,046	35,296	20,143
Depreciation	42,725	76,726	119,451	13,794
Miscellaneous	2,205	3,593	5,798	13,000
Total operating expense	<u>263,680</u>	<u>275,182</u>	<u>538,862</u>	<u>77,311</u>
Operating income (loss)	<u>130,950</u>	<u>127,374</u>	<u>258,324</u>	<u>(19,994)</u>
Non-operating revenue (expense)				
Interest income	50,497	29,623	80,120	8,282
Interest expense	-	(32,978)	(32,978)	-
Total non-operating revenue (expense)	<u>50,497</u>	<u>(3,355)</u>	<u>47,142</u>	<u>8,282</u>
Income (loss) before transfers	<u>181,447</u>	<u>124,019</u>	<u>305,466</u>	<u>(11,712)</u>
Transfers				
Transfers in	-	-	-	-
Transfers out	(20,000)	(15,000)	(35,000)	-
Total transfers	<u>(20,000)</u>	<u>(15,000)</u>	<u>(35,000)</u>	<u>-</u>
Changes in net assets	<u>161,447</u>	<u>109,019</u>	<u>270,466</u>	<u>(11,712)</u>
Net assets, beginning of year	<u>2,716,033</u>	<u>2,560,170</u>	<u>5,276,203</u>	<u>354,401</u>
Net assets, end of year	<u>\$ 2,877,480</u>	<u>\$ 2,669,189</u>	<u>\$ 5,546,669</u>	<u>\$ 342,689</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CARSON CITY

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2008

	Business-Type Activities		Enterprise Fund Total	Governmental Activities Internal Service Fund
	<u>Sewer</u>	<u>Water</u>	<u>Total</u>	<u>Fund</u>
Cash flows from operating activities				
Receipts from internal services provided	\$ -	\$ -	\$ -	\$ 57,317
Receipts from customers and users	393,026	400,553	793,579	-
Payments to employees	(108,296)	(101,678)	(209,974)	(12,336)
Payments to suppliers	(113,069)	(99,716)	(212,785)	(49,056)
Net cash provided by (used in) operating activities	<u>171,661</u>	<u>199,159</u>	<u>370,820</u>	<u>(4,075)</u>
Cash flows from non-capital financing activities				
Transfers out	(20,000)	(15,000)	(35,000)	-
Net cash provided by (used in) non-capital financing activities	<u>(20,000)</u>	<u>(15,000)</u>	<u>(35,000)</u>	<u>-</u>
Cash flows from capital and related financing activities				
Payments on loans	-	(65,001)	(65,001)	-
Interest expense	-	(32,978)	(32,978)	-
Acquisitions of capital assets	-	-	-	(85,400)
Net cash provided by (used in) capital and related financing activities	<u>-</u>	<u>(97,979)</u>	<u>(97,979)</u>	<u>(85,400)</u>
Cash flows from investing activities				
Purchases of investments	(103,878)	(16,315)	(120,193)	49,543
Interest income	50,497	29,623	80,120	8,282
Net cash provided by (used in) investing activities	<u>(53,381)</u>	<u>13,308</u>	<u>(40,073)</u>	<u>57,825</u>
Net increase (decrease) in cash and cash equivalents	<u>98,280</u>	<u>99,488</u>	<u>197,768</u>	<u>(31,650)</u>
Cash and cash equivalents, beginning of year	<u>391,161</u>	<u>424,388</u>	<u>815,549</u>	<u>116,724</u>
Cash and cash equivalents, end of year	<u>\$ 489,441</u>	<u>\$ 523,876</u>	<u>\$ 1,013,317</u>	<u>\$ 85,074</u>
Cash flows from operating activities				
Operating income (loss)	\$ 130,950	\$ 127,374	\$ 258,324	\$ (19,994)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities				
Depreciation	42,725	76,726	119,451	13,794
Changes in operating assets and liabilities which provided (used) cash				
Accounts receivable	(1,679)	(2,078)	(3,757)	-
Accounts payable and accrued liabilities	4,138	1,610	5,748	2,125
Compensated absences	(4,548)	(4,548)	(9,096)	-
Customer deposits	75	75	150	-
Net cash provided by (used in) operating activities	<u>\$ 171,661</u>	<u>\$ 199,159</u>	<u>\$ 370,820</u>	<u>\$ (4,075)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CARSON CITY
FIDUCIARY FUNDS
STATEMENT OF NET ASSETS

JUNE 30, 2008

	Employees Retirement System	Agency Fund
Assets		
Cash and cash equivalents	\$ 98,741	\$ 8,043
Investments		
US government securities funds	83,566	-
Bond funds	137,993	-
Mutual funds	375,070	-
Other	41,581	-
Total assets	<u>736,951</u>	<u>\$ 8,043</u>
Liabilities		
Accounts payable	-	\$ 7,127
Due to other governments	-	916
Total liabilities	<u>-</u>	<u>\$ 8,043</u>
Net assets		
Held in trust for pension benefits	<u>736,951</u>	
Total net assets	<u>\$ 736,951</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF CARSON CITY

EMPLOYEES RETIREMENT SYSTEM STATEMENT OF CHANGES IN NET ASSETS

FOR THE 15 MONTHS ENDED JUNE 30, 2008

	Employees Retirement System
Additions	
Contributions:	
Employer	\$ 41,196
Investment income (loss)	<u>(5,328)</u>
Total Additions	35,868
Deductions	
Distributions, expenses and benefit payments	<u>9,016</u>
Net increase (decrease)	26,852
Net assets, Beginning of year	<u>710,099</u>
Net assets, end of year	<u>\$ 736,951</u>

The accompanying notes are an integral part of these financial statements.

CITY OF CARSON CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Carson City, Michigan (the "City") conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

Reporting Entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Carson City. There are no component units to be included. The criteria for including a component unit include significant operational or financial relationships with the City.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF CARSON CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for penal fines which are recognized when received and reimbursement-based grants which use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, state revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund.

The *Library Fund* accounts for the operations of the City library. This fund is primarily funded through a county-wide tax levy and penal fines.

The City reports the following major proprietary funds:

The *Sewer Enterprise Fund* is used to account for the operations of the City's sewer department that provides sewer services to most residents of the City on a user charge basis.

The *Water Enterprise Fund* is used to account for the operations of the City's water department that provides water services to most residents of the City on a user charge basis.

Additionally, the City reports the following fund types:

The *Special Revenue Funds* are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Internal Service Fund* is used to account for the financing of goods or services by the City which are provided to other departments and funds or to other governmental units on a cost reimbursement basis. The City maintains one Internal Service Fund for motor pool operations.

The *Trust and Agency Funds* are used to account for assets held in a trustee or agency capacity on behalf of outside parties, including other governments. These include a pension trust and two agency funds.

CITY OF CARSON CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed by both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resource as they are needed.

Budgets and Budgetary Accounting

Comparisons to budget are presented for General and Special Revenue Funds. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget is adopted by activity.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for all funds except Trust and Agency Funds.
5. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Adoption and amendments of all budgets used by the City are governed by Public Act 621. The appropriations ordinances are based on the projected expenditures budget of the department heads of the City. Any amendment to the original budget must meet the requirements of Public Act 621. The City did amend its budget for the year ended June 30, 2008. Any revisions that alter the total expenditures of any activity must be approved by the City Council.

Budgets for expenditures are adopted on an activity basis. Budgeted amounts are as originally adopted, or as amended, by the City Council.

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. All investments are recorded at fair value.

CITY OF CARSON CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Statutory Authority

State statutes authorize the City to invest in:

- a. Bond, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.
- h. The City pension assets are also allowed to be invested in corporate equity and debt securities

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the governmental and business-type activities column in the government-wide financial statements.

Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. The amount reported for infrastructure includes only assets added since 2004.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been capitalized on capital assets reported in proprietary funds.

CITY OF CARSON CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Depreciation on capital assets (including infrastructure), is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and Systems	5-65
Machinery and Equipment	3-15
Vehicles	5
Infrastructure	50

Unearned/Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned. At the end of the current fiscal year, *deferred revenue* reported in the governmental funds consisted of amounts received from private sources to be used for City parks.

Property Taxes

City property taxes are attached as an enforceable lien on property as of July 1. Taxes are levied July 1 and are due without penalty on or before August 31. These summer tax bills include the City's own property taxes. Real property taxes not collected as of March 1 are turned over to Montcalm County for collection, which advances the City 100% for the delinquent real taxes. Collection of delinquent personal property taxes remains the responsibility of the City Comptroller.

Property taxes levied in July of each year are recognized as revenue in that year.

Grants and Other Intergovernmental Revenues

Grants and assistance awards made on the basis of entitlement periods are recorded as intergovernmental receivables and revenue when entitlement occurs. Reimbursement-type grants are recorded as intergovernmental receivables and revenues when the related expenditure/expenses are incurred.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

CITY OF CARSON CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Compensated Absences

Under contracts and employee policy, employee groups and individual employees have a vested right to receive payments for unused vacation benefits under formulas and conditions specified in the contracts. Accumulated vacation time of governmental funds is recorded on the statement of net assets and not on the governmental fund balance sheets because it is not expected to be liquidated with expendable available financial resources. Amounts accumulated for proprietary funds are reported on the statements of net assets of the individual enterprise funds.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pension Trust

The Pension trust fund changed its fiscal year end from April 30 to June 30 during the 2008 fiscal year. The Pension Trust Fund statement of net assets is presented for the plan year end of June 30, 2008. The Pension Trust fund statement of changes in net assets is presented for the 14 months ended June 30, 2008.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2008, the City carried commercial insurance to cover risks of losses. The City has had no settled claims resulting from these risks that exceeded their commercial coverage in any of the past three fiscal years.

CITY OF CARSON CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

PA. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the City's actual expenditures and budgeted expenditures for the budgetary funds have been shown at the functional level. The approved budgets of the City for these budgetary funds were adopted at the activity level. During the year ended June 30, 2008, the City incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance (Unfavorable)</u>
General Fund			
General Government			
Election commission	\$ 2,967	\$ 3,044	\$ (77)
Comptroller	110,435	112,207	(1,772)
Public Safety			
Police Department	140,907	141,764	(857)
Fire Department	34,604	37,437	(2,833)
Public Works			
Department of public works	299,386	341,538	(42,152)
Recreation and Culture			
Parks	41,820	47,405	(5,585)
Special Revenue Funds			
Major Streets Fund			
Routine maintenance	5,830	6,211	(381)
State trunkline	4,548	4,650	(102)
Construction	54,886	55,166	(280)
Transfer out	6,800	6,961	(161)
Local Street Fund			
Routine maintenance	16,107	46,555	(30,448)
Compensated Absences Fund			
General government	10,000	24,823	(14,676)

3. DEPOSITS AND INVESTMENTS

The captions on the financial statements relating to cash and cash equivalents are as follows:

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Fiduciary Activities</u>	<u>Total</u>
Cash and cash equivalents	\$1,033,430	\$1,013,317	\$106,785	\$2,153,532
Investments	488,446	1,149,511	638,210	2,276,167
	<u>\$1,521,876</u>	<u>\$2,162,828</u>	<u>\$744,995</u>	<u>\$4,429,699</u>

These deposits are in three financial institutions located in Michigan. State policy limits the Treasurer's investing options to financial institutions located in Michigan. All accounts are in the

CITY OF CARSON CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

name of the City and a specific fund or common account. They are recorded in City records at fair value. The City chooses to disclose its investments by specifically identifying each. As of year-end, the City had the following deposits and investments:

Investments

<u>Investments</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Source</u>
Common Stock				
Fifth Third Bank	N/A	\$ 285		
American Funds				
Income fund of America	N/A	83,566	3	Morning Star
US Government Securities Fund	N/A	137,993	3	Morning Star
Capital World Growth and Income	N/A	120,252	5	Morning Star
The Bond Fund of America	N/A	254,818	2	Morning Star
Federated Investor				
Government Tax Managed Fund	N/A	1,363,673	AAA	S & P
CSV Life Insurance	N/A	41,581	N/A	
Total investments		<u>\$2,002,168</u>		

The above investments do not include certificates of deposit which are included in the investment caption on the financial statements as their original maturity date is greater than three months.

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in Note 1 of the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The maturity date for each investment is identified above for investments held at year-end.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds qualified external investment pools as identified in Note 1 of the summary of significant accounting policies. The investment policy does not have specific limits in excess of state law on investment credit risk. The rating for each investment is identified above for investments held at year end.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. As of year-end, \$300,000 of the City's bank balance of \$2,442,395 exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk - Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. Of the above investments, \$41,581 represents the cash surrender value of life insurance and \$1,960,587 is invested in mutual funds. Of the above mutual fund investments the City's custodial credit risk exposure cannot be determined because the mutual funds do not consist of specifically identifiable securities.

CITY OF CARSON CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in Note 1 of the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. More than 5 percent of the City's investments are in mutual funds which are exempt from concentration of credit risk disclosure. All investments held at year-end are reported above.

4. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 171,996	\$ 13,594	\$ -	\$ 185,590
Construction in Progress	-	-	-	-
Total capital assets, not being depreciated	171,996	13,594	-	185,590
Capital assets, being depreciated				
Building and improvements	1,262,967	11,575	-	1,274,542
Furniture and equipment	628,258	-	-	628,258
Motor pool equipment	409,460	85,400	-	494,860
Motor vehicles	565,796	-	-	565,796
Infrastructure	326,046	229,466	-	555,512
Total capital assets, being depreciated	3,192,527	326,441	-	3,518,968
Less accumulated depreciation for:				
Building and improvements	630,473	14,057	-	644,530
Furniture and equipment	409,398	22,527	-	431,925
Motor pool equipment	366,048	13,794	-	379,842
Motor vehicles	272,171	23,940	-	296,111
Infrastructure	14,001	8,855	-	22,856
Total accumulated depreciation	1,692,091	83,173	-	1,775,264
Net capital assets, being depreciated	1,500,436	243,268	-	1,743,704
Governmental Activities capital assets, net	\$1,672,432	\$256,862	\$ -	\$1,929,294
Business-type Activities				
Capital assets, not being depreciated				
Land	\$ 14,475	\$ -	\$ -	\$ 14,475
Construction in Progress	-	-	-	-
Total capital assets, not being depreciated	14,475	-	-	14,475
Capital assets being depreciated				
Buildings and improvements	80,576	-	-	80,576
Mains and equipment	6,300,302	-	-	6,300,302
Total capital assets, being depreciated	6,380,878	-	-	6,380,878
Less accumulated depreciation for:				
Buildings and improvements	19,390	1,947	-	21,337
Mains and equipment	1,373,735	117,504	-	1,491,239
Total accumulated depreciation	1,393,125	119,451	-	1,512,576
Net capital assets, being depreciated	4,987,753	(119,451)	-	4,868,302
Business-type Activities capital assets, net	\$5,002,227	\$(119,451)	\$ -	\$4,882,777

CITY OF CARSON CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	\$ 4,401
Public safety	29,407
Public works	22,406
Culture and recreation	13,165
Capital assets held by the governments internal service funds are charged to the various functions based on their usage of the assets	13,794
Total depreciation expense - governmental activities	\$83,173
Business-type Activities	
Sewer	\$ 42,725
Water	76,726
Total depreciation expense – business- type activities	\$119,451

5. INTERFUND TRANSACTIONS

Transfers in and out for the year ended June 30, 2008 are as follows:

	Transfers in:		
	General Fund	Non-Major Funds	Total
Transfers out:			
Non-major Funds	\$ -	\$ 6,961	\$ 6,961
Sewer	15,000	5,000	20,000
Water	10,000	5,000	15,000
	\$25,000	\$16,961	\$41,961

Transfers are used to allocate administrative costs and move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

6. DEFINED BENEFIT PENSION PLAN

Plan Description

The City contributes to the City of Carson City Pension Plan, a single employer contributory defined benefit pension plan. All full-time employees over the age of 21 are eligible to participate in the Plan after one year of service.

Membership of the Plan consists of two terminated participants not yet receiving benefits and ten active plan members at the date of the latest actuarial valuation (June 30, 2008).

CITY OF CARSON CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Basis of Accounting

The financial statements of the Plan are prepared using the accrual basis of accounting. Plan member contributions to the Plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Method Used to Value Investments

Investments are reported at fair value.

Benefits Provided

Employees who retire at age 65 (normal retirement) with 3 or more years of service or at age 55 with 10 or more years of service are entitled to retirement benefits payable monthly. Normal retirement benefits are equal to 1.2% per year of service times the highest 5 year average salary over the 10 years prior to retirement. Benefits vest 20% per year after three years (100% after seven years). The accrued retirement benefit is actuarially reduced for each year by which early retirement precedes normal retirement. The Plan also provides for death benefits.

Contributions

The City has responsibility for making actuarially determined contributions to the Plan. Employees are not required to contribute to the Plan. The funding objective of the Plan is to establish and receive contributions, expressed as a percentage of active member payroll, which will remain approximately level from year to year and will not have to be increased for future generations of citizens. The contribution rate for normal cost is determined using an "individual spread gain" actuarial cost method and, further, follows the "level contribution method" as required by Michigan law. The actuarial assumptions are the same as used to compute the standardized measure of the Net Pension Obligation. The plan provisions and contribution requirements of plan members and the City are established and may be amended by City Council. The City is required to contribute at an actuarially determined rate; the current rate is 12.0% of annual covered payroll.

Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation for the current year were as follows:

Annual required contribution (equal to annual pension cost)	\$41,196
Contributions made	<u>41,196</u>
Increase (decrease) in net pension obligation	-
Net pension obligation beginning of year	<u>-</u>
Net pension obligation end of year	<u>\$ -</u>

The annual required contribution for the current year was determined as part of the May 1, 2002 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7% pre-retirement and 5% post retirement investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4% per year. Both (a) and (b) included an inflation component of 0%.

CITY OF CARSON CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

Three-Year Trend Information			
Fiscal Year	Annual Pension	Percentage of APC	Net Pension
Ending	Cost (APC)	Contributed	Obligation
6/30/06	\$28,431	100%	-
6/30/07	30,318	100%	-
6/30/08	41,196	100%	-

Funding Progress						
Actuarial	Actuarial	Actuarial	Unfunded	Funded	Covered	UAAL as a
Valuation	Value of	Liability (AAL)	AAL	Ratio	Payroll	Percentage
Date	Assets	Entry Age	(UAAL)	Total	(c)	of Covered
	(a)	(b)	(b-a)			Payroll
						((b-a)/c)
6/30/08	\$738,113	\$675,195	\$62,918	108.52%	\$297,773	21.13%

GASB Statement 25 and 50 require supplementary information to be presented after the notes to the financial statements section in this report. The required schedule of funding progress immediately following the notes to the financial statements presents multi year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities of benefits. A stand-alone financial report of defined benefit Plan has not been issued.

7. LONG-TERM DEBT

The following is a summary of the debt transactions of the City for the year ended June 30, 2008.

	Balance			Balance	Due
	July 1,	Additions	Deletions	June 30,	Within
	2007			2008	One
					Year
Governmental Activities					
\$300,000, note to ACI Finance, Series 2000.					
Payments due in annual installments of					
\$17,000 to \$33,000 through May 1, 2016;					
interest at 4.68%	\$ 243,000	\$ -	\$ 22,000	\$ 221,000	\$23,000
Accrued employee benefits	68,503	-	20,365	48,138	-
Total Governmental Activities	311,503	-	42,365	269,138	23,000
Business-type Activities					
Drinking Water Revolving Fund Loan.					
Payments due in annual installments of					
\$65,000 to \$95,000 through 2027; interest at					
2.125%	1,600,000	-	65,000	1,535,000	65,000
Accrued employee benefits	29,578	-	9,096	20,482	-
Total Business-type Activities	1,629,578	-	74,096	1,555,482	\$65,000
Total	\$1,941,081	\$ -	\$116,461	\$1,824,620	\$88,000

CITY OF CARSON CITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2008

The annual requirements to amortize all debt outstanding (excluding accrued employee benefits) as of June 30, 2008 are as follows:

Year Ended June 30	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 23,000	\$ 10,343	\$ 65,000	\$ 31,928
2010	24,000	9,266	70,000	30,494
2011	25,000	8,143	70,000	29,006
2012	26,000	6,973	70,000	27,519
2013	28,000	5,756	70,000	26,032
2014-2018	95,000	9,032	385,000	106,303
2019-2023	-	-	430,000	63,219
2024-2027	-	-	375,000	16,096
Total	\$ 221,000	\$ 49,513	\$1,535,000	\$ 330,596

8. SUBSEQUENT EVENT

Subsequent to the City's year end and through the date of our audit report, the investments of the City's pension plan experienced a decline in value of approximately \$112,000.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CARSON CITY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Percentage of Covered Payroll</u>
5/1/1994	\$ 280,896	\$ 284,896	\$ (4,000)	98.60%	\$ 277,398	-1.44%
5/1/1995	296,274	215,347	80,927	137.58%	222,759	36.33%
5/1/1996	304,041	235,779	68,262	128.95%	214,870	31.77%
5/1/1997	358,147	262,754	95,393	136.31%	237,511	40.16%
5/1/1998	448,622	292,918	155,704	153.16%	240,222	64.82%
5/1/1999	561,309	440,021	121,288	127.56%	220,810	54.93%
5/1/2000	594,942	496,426	98,516	119.85%	256,773	38.37%
5/1/2002	492,776	415,483	77,293	118.60%	262,085	29.49%
6/30/2008	738,113	675,195	62,918	109.32%	297,773	21.13%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended</u>	<u>Annual required Contribution</u>	<u>Actual Contribution</u>	<u>Percent Contributed</u>
4/30/1999	\$ 23,270	\$ 23,270	100%
4/30/2000	28,330	28,330	100%
4/30/2001	25,279	25,279	100%
4/30/2002	27,416	27,416	100%
4/30/2003	23,704	23,704	100%
4/30/2004	26,840	26,840	100%
4/30/2005	30,815	30,815	100%
4/30/2006	28,431	28,431	100%
4/30/2007	30,318	30,318	100%
6/30/2008	41,196	41,196	100%

The plan fiscal year end was changed to June 30 for the 2008 fiscal year.

CITY OF CARSON CITY

REQUIRED SUPPLEMENTARY INFORMATION

Summary of Actuarial Methods and Assumptions

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation follows

Valuation date	6/30/2008
Actuarial cost Method	Unit credit
Amortization method	Level percentage of active payroll over future working lifetime
Remaining amortization period	0 years
Asset valuation method	Market value
Actuarial assumptions	
Investment rate of return	7.00%
Projected salary increases	4.00%
Cost of living increase	0.00%

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

CITY OF CARSON CITY

GENERAL FUND SCHEDULE OF REVENUES BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	Budget Amounts		Actual Amount	Variance Positive (Negative)
	Original	Final		
Revenues				
Taxes				
Property taxes	\$ 383,000	\$ 380,132	\$ 379,732	\$ (400)
Intergovernmental revenues				
Federal grants	-	89,997	169,171	79,174
State shared revenues	126,800	140,455	141,340	885
Total intergovernmental revenues	126,800	230,452	310,511	80,059
Fees and service charges				
Fire contracts	28,280	29,502	30,002	500
Rent	21,300	28,825	30,886	2,061
Licenses and permits	100	12	9	(3)
Court costs	700	650	615	(35)
Total fees and service charges	50,380	58,989	61,512	2,523
Reimbursements	-	60,563	32,268	(28,295)
Interest	20,000	13,524	4,612	(8,912)
Miscellaneous	5,900	9,425	26,584	17,159
Total Revenues	\$ 586,080	\$ 753,085	\$ 815,219	\$ 62,134

CITY OF CARSON CITY

GENERAL FUND SCHEDULE OF EXPENDITURES BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget Amounts</u>		<u>Actual Amount</u>	<u>Variance Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current				
Legislative				
City Council	\$ 136,657	\$ 70,168	\$ 69,375	\$ 793
General government				
City Administrator	39,682	41,481	39,659	1,822
Election Commission	2,640	2,967	3,044	(77)
Assessor	15,667	16,630	16,630	-
Comptroller	93,741	110,435	112,207	(1,772)
Rental	1,050	765	765	-
Storm Sewer	2,000	-	-	-
Master Plan	6,000	-	-	-
Total general government	160,780	172,278	172,305	(27)
Public Safety				
Police Department	128,059	140,907	141,764	(857)
Fire Department	35,130	34,604	37,437	(2,833)
Total public safety	163,189	175,511	179,201	(3,690)
Public Works				
Department of Public Works	108,650	299,386	341,538	(42,152)
Recreation and culture				
Parks	41,804	41,820	47,405	(5,585)
Total expenditures	\$ 611,080	\$ 759,163	\$ 809,824	\$ (50,661)

CITY OF CARSON CITY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2008

	Special Revenue			Total
	Major Street	Local Street	Compensated Absences	
Assets				
Cash and cash equivalents	\$ 188,166	\$ 151,516	\$ 46,981	\$ 386,663
Investments	61,439	167,576	-	229,015
Due from other governments	11,362	4,429	-	15,791
Total Assets	\$ 260,967	\$ 323,521	\$ 46,981	\$ 631,469
Liabilities and fund balance				
Liabilities				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Fund balances				
Unreserved				
Undesignated	260,967	323,521	46,981	631,469
Total fund balances	260,967	323,521	46,981	631,469
Total liabilities and fund balances	\$ 260,967	\$ 323,521	\$ 46,981	\$ 631,469

CITY OF CARSON CITY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Special Revenue</u>			
	<u>Major Street</u>	<u>Local Street</u>	<u>Compensated Absences</u>	<u>Total</u>
Revenues				
State revenues	\$ 72,924	\$ 26,980	\$ -	\$ 99,904
Interest	9,737	11,663	2,047	23,447
Total Revenues	<u>82,661</u>	<u>38,643</u>	<u>2,047</u>	<u>123,351</u>
Expenditures				
Current				
General government	-	-	24,823	24,823
Public works	20,789	53,187	-	73,976
Capital Outlay	55,166	-	-	55,166
Total Expenditures	<u>75,955</u>	<u>53,187</u>	<u>24,823</u>	<u>153,965</u>
Revenues over (under) expenditures	<u>6,706</u>	<u>(14,544)</u>	<u>(22,776)</u>	<u>(30,614)</u>
Other financing sources (uses)				
Transfers in	-	6,961	10,000	16,961
Transfers out	(6,961)	-	-	(6,961)
Total other financing sources (uses)	<u>(6,961)</u>	<u>6,961</u>	<u>10,000</u>	<u>10,000</u>
Net changes in fund balances	<u>(255)</u>	<u>(7,583)</u>	<u>(12,776)</u>	<u>(20,614)</u>
Fund balances, beginning of year	<u>261,222</u>	<u>331,104</u>	<u>59,757</u>	<u>652,083</u>
Fund balances, end of year	<u>\$ 260,967</u>	<u>\$ 323,521</u>	<u>\$ 46,981</u>	<u>\$ 631,469</u>

CITY OF CARSON CITY

MAJOR STREET FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
State revenue	\$ 65,000	\$ 73,257	\$ 72,924	\$ (333)
Interest	1,700	9,000	9,737	737
Total Revenues	<u>66,700</u>	<u>82,257</u>	<u>82,661</u>	<u>404</u>
Expenditures				
Current				
Public works				
Routine maintenance	6,827	5,830	6,211	(381)
Winter maintenance	4,367	9,928	9,928	-
State trunkline	13,594	4,548	4,650	(102)
Capital Outlay				
Construction	<u>30,662</u>	<u>54,886</u>	<u>55,166</u>	<u>(280)</u>
Total expenditures	<u>55,450</u>	<u>75,192</u>	<u>75,955</u>	<u>(763)</u>
Revenues over (under) expenditures	11,250	7,065	6,706	(359)
Other financing uses				
Transfers out	<u>(11,250)</u>	<u>(6,800)</u>	<u>(6,961)</u>	<u>(161)</u>
Net changes in fund balance	-	265	(255)	(520)
Fund balance, beginning of year	<u>261,222</u>	<u>261,222</u>	<u>261,222</u>	<u>-</u>
Fund balance, end of year	<u>\$ 261,222</u>	<u>\$ 261,487</u>	<u>\$ 260,967</u>	<u>\$ (520)</u>

CITY OF CARSON CITY

LOCAL STREET FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
State revenue	\$ 26,000	\$ 27,110	\$ 26,980	\$ (130)
Interest	3,000	12,000	11,663	(337)
Total Revenues	<u>29,000</u>	<u>39,110</u>	<u>38,643</u>	<u>(467)</u>
Expenditures				
Current				
Public works				
Routine maintenance	6,828	16,107	46,555	(30,448)
Winter maintenance	3,048	6,632	6,632	-
Capital Outlay				
Construction	<u>30,374</u>	<u>31,595</u>	<u>-</u>	<u>31,595</u>
Total expenditures	<u>40,250</u>	<u>54,334</u>	<u>53,187</u>	<u>1,147</u>
Revenues over (under) expenditures	(11,250)	(15,224)	(14,544)	680
Other financing sources				
Transfers in	<u>11,250</u>	<u>6,895</u>	<u>6,961</u>	<u>66</u>
Net changes in fund balance	-	(8,329)	(7,583)	746
Fund balance, beginning of year	<u>331,104</u>	<u>331,104</u>	<u>331,104</u>	<u>-</u>
Fund balance, end of year	<u>\$ 331,104</u>	<u>\$ 322,775</u>	<u>\$ 323,521</u>	<u>\$ 746</u>

CITY OF CARSON CITY

COMPENSATED ABSENCES FUND SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Amount</u>	<u>Positive</u> <u>(Negative)</u>
Revenues				
Interest	\$ -	\$ 1,900	\$ 2,047	\$ 147
Expenditures				
Current				
General Government	<u>10,000</u>	<u>10,000</u>	<u>24,823</u>	<u>(14,823)</u>
Revenues over (under) expenditures	(10,000)	(8,100)	(22,776)	(14,676)
Other financing sources				
Transfers in	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Net changes in fund balance	-	1,900	(12,776)	(14,676)
Fund balance, beginning of year	<u>59,757</u>	<u>59,757</u>	<u>59,757</u>	<u>-</u>
Fund balance, end of year	<u>\$ 59,757</u>	<u>\$ 61,657</u>	<u>\$ 46,981</u>	<u>\$ (14,676)</u>

CITY OF CARSON CITY
ALL AGENCY FUNDS
COMBINING BALANCE SHEET

JUNE 30, 2008

	<u>Agency Funds</u>		
	<u>Imprest Payroll Fund</u>	<u>Tax Trust Fund</u>	<u>Total</u>
Assets			
Cash	\$ 7,759	\$ 284	\$ 8,043
Total assets	<u>\$ 7,759</u>	<u>\$ 284</u>	<u>\$ 8,043</u>
 Liabilities			
Accounts payable	\$ 7,127	\$ -	\$ 7,127
Due to other governments	632	284	916
Total Liabilities	<u>\$ 7,759</u>	<u>\$ 284</u>	<u>\$ 8,043</u>



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December 19, 2008

To the City Council
City of Carson City

In planning and performing our audit of the financial statements of the City of Carson City (the "City") for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the entity's financial statements will not be prevented or detected by the entity's internal control. We believe the following deficiency constitutes a material weakness.

The City does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles including procedures to present required financial statement disclosures. The City has determined that any benefits derived from eliminating the above deficiency would not exceed or justify the costs to do so.

This report is intended solely for the information and use of the Board and Management of the City of Carson City, and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

Vredeveld Haefner LLC